

Message Text

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ACTION IO-14

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L-03 NASA-02 NEA-10 NSAE-00 NSC-05 OIC-02 SP-02
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INFO USDOEHQ WASHDC
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USIAEA

DEPT PASS NRC AND IO/SCT
DOE FOR AMMONS, IA

E.O. 11652: N/A
TAGS: IAEA, AORG
SUBJECT: IAEA BUDGET FOR 1979 AND REQUEST FOR
INSTRUCTIONS ON BUDGET ITEM AT A&B COMMITTEE MEETING
MAY 4, 1978

1. IAEA PROPOSED PROGRAM FOR 1977-1984 AND THE
PROPOSED BUDGET FOR 1978 (GOV/1885) HAVE BEEN RECEIVED.
COPIES HAVE BEEN MAILED INTERNATIONAL AIR MAIL TO
IO/SCT AND DOE/AMMONS AND ADDITIONAL COPIES HAVE BEEN
POUCHED.

2. THE REGULAR BUDGET FOR 1979 AMOUNTS TO \$70,899,000
OF WHICH \$67,244,000 WILL BE ASSESSED ON MEMBER STATES.
THE REMAINING \$3,655,000 IS MISCELLANEOUS INCOME.
THE BUDGET PROPOSED FOR 1979 IS A 38.0 PERCENT INCREASE
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OVER THE 1978 FIGURE. IN VIEW OF THE EXPECTATION
THAT THERE WILL BE A SUPPLEMENTAL ASSESSMENT IN 1978,
THE ACTUAL PERCENTAGE INCREASE OVER THE 1978 BUDGET
WILL BE SOMEWHAT LESS. THE U.S. ASSESSED CONTRIBUTION
UNDER THE PROPOSED BUDGET WILL BE \$17,301,825 OR 25.73
PERCENT OF THE ASSESSED BUDGET. THIS REPRESENTS A
GROWTH IN THE U.S. ASSESSED CONTRIBUTION OF 39.25

PERCENT. THE SMALLEST GROWTH IN ASSESSED CONTRIBUTIONS WAS 30 PERCENT (LIBYA AND KUWAIT) AND THE LARGEST GROWTH IN ASSESSED CONTRIBUTION IS 60 PERCENT (ITALY AND USSR.).

3. ANALYSIS OF IAEA PROPOSED BUDGET FOR 1979

1978 APPROVED REGULAR BUDGET \$51,379,000

LESS: NON-RECURRING ITEMS

- 1. TRANSFER OF AGENCY TO DONAU PARK 800,000
- 2. TRANSFER OF PRIOR YEAR CASH SURPLUS (800,000)

RECASTING BASE 1978 BUDGET \$51,379,000

PRICE CHANGE/INFLATION \$2,747,500

EXCHANGE RATE ADJUSTMENT 5,901,000

1978 PROGRAM AT 1979 PRICES \$60,027,500

PROGRAM GROWTH \$8,147,500

NON-RECURRING ITEM

- TRANSFER TO DONAU PARK 1,724,000

PROPOSED BUDGET \$70,899,000

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4. MISSION HAS IDENTIFIED SAFEGUARDS (PROJECTED BUDGET OF \$16,164,000 OR 22.8 PERCENT OF REQUESTED BUDGET FOR 1979) TO BE THE HIGHEST PRIORITY IAEA PROGRAM. FROM THE STANDPOINT OF NARROW USG INTEREST, THE PROGRAMS IN LIFE SCIENCES (\$3,057,000 OR 4.7 PERCENT OF THE "PROGRAMME" BUDGET) AND IN PHYSICAL SCIENCES (\$5,569,000 OR 8.6 PERCENT) ARE THOSE HAVING LOWEST PRIORITY; THIS IS NOT, HOWEVER, TO SUGGEST THAT ELIMINATION OF THOSE ACTIVITIES OR MAJOR COMPONENTS THEREOF WOULD SERVE OVERALL USG INTERESTS IN THE IAEA. (THE USG HAS SHOWN CONSIDERABLE INTEREST IN THESE PROGRAMS AS EVIDENCED BY VOLUNTARY CONTRIBUTIONS OVER THE LAST FEW YEARS - SEE STATEMENTS VIII(A) AND VIII(B) OF THE AGENCY'S ACCOUNTS FOR 1977 GOV/1866). THEIR SACRIFICE WHILE RESULTING IN RELATIVELY SMALL SAVINGS, WOULD SERIOUSLY IMPAIR INTEREST OF MANY OTHER MEMBER STATES IN THE IAEA, PARTICULARLY THE DEVELOPING COUNTRIES, AND IN THE END SUCH SACRIFICES WOULD DAMAGE U.S. INTERESTS IN THE HIGH PRIORITY PROGRAMS SUCH AS SAFEGUARDS, NUCLEAR SAFETY AND

ENVIRONMENTAL PROTECTION.

5. THE FIGURES FOR PRICE CHANGE/INFLATION ARE CALCULATED BY THE IAEA ON THE BASIS OF THE TYPE AND DISTRIBUTION OF RESOURCES CONSUMED IN THE DIFFERENT DIVISIONS. SALARY INFLATION FOR INSTANCE, CAN BE DETERMINED EASILY FOR EACH DIVISION. INFLATION RATES FOR VARIOUS TYPES OF SUPPLIES ARE ALSO SEPARATELY DETERMINED AND APPLIED TO THE MIX OF RESOURCES CONSUMED IN EACH DIVISION TO GIVE EACH ITS OWN INFLATION RATE PROJECTION. THE OVERALL RATE OF PRICE INCREASE IN THE 1979 BUDGET IS 5.3

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PERCENT.

6. IN THE BUDGET FOREIGN CURRENCY COSTS (VIRTUALLY ALL IN AUSTRIAN SCHILLINGS) ARE CONVERTED TO DOLLARS AT THE SAME RATE AS USED IN THE PRIOR YEAR AND A FIGURE ENTITLED "ADJUSTMENT OF PROGRAM COST" IS BUDGETED TO COMPENSATE FOR EXCHANGE RATE VARIATION. THE IAEA SYSTEM PROMOTES COMPARABILITY OF THE PROGRAM FIGURES FOR VARIOUS YEARS BY SEPARATING THE EXCHANGE RATE FACTOR FROM OTHERS INFLUENCING THE BUDGET.

7. PROGRAM GROWTH IN THE 1979 PROPOSED BUDGET OF THE IAEA AVERAGES 8.98 PERCENT, EXCLUDING SAFEGUARDS, COSTS OF THE MOVE TO DONAU PARK, AND FIRST YEAR

OPERATING COSTS OF THE DONAU PARK FACILITY.

8. MISSION HAS GIVEN THE PROGRAM BUDGET A CAREFUL REVIEW AND CONCLUDED THAT NOTWITHSTANDING THE LARGE INCREASE IN ASSESSED CONTRIBUTIONS, THE BUDGET REPRESENTS THE MINIMUM RESOURCES NEEDED TO FULFILL
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THE AGENCY'S RESPONSIBILITIES. NATURALLY THERE ARE PLACES IN THE BUDGET WHERE AN OBJECTIVE REVIEW MIGHT RESULT IN SOME CUTS AND REALLOCATIONS OF RESOURCES, BUT THE DOLLAR EFFECT OF SUCH CUTS
- WILL BE INSIGNIFICANT AND THE BENEFITS OF ANY REALLOCATION ARE SPECULATIVE.

9. IN REVIEWING THE BUDGET THE MISSION CAME TO THE CONCLUSION THAT THE SUBSTANTIVE PROGRAMS OTHER THAN SAFEGUARDS, WHICH IS DEALT WITH SEPARATELY, ARE BEING SUPPORTED IN THE BUDGET AT LEVELS WHICH ARE ADEQUATE FOR THE JOBS REQUIRED BY MEMBER STATES. OF THESE PROGRAMS PROBABLY ONE OF THE MOST BENEFICIAL FROM THE U.S. POINT OF VIEW IS TECHNICAL ASSISTANCE WHERE PROGRAM GROWTH OF 13.9 PERCENT WILL IN SOME MEASURE SERVE TO DAMPEN EXPECTED CRITICISM OF THE GROWTH IN SAFEGUARDS. GROWTH IN OTHER PROGRAMS WHICH BENEFIT THE DEVELOPING COUNTRIES WILL SIMILARLY BE HELPFUL.

10. IN THE SAFEGUARDS PROGRAM MISSION PERCEIVES THE QUESTION TO BE REVERSED, I.E., HAS THE AGENCY ASKED FOR ENOUGH TO DO THE JOB? IN REALITY THE ANSWER IS PROBABLY NO, BUT THE INCREASES IN SAFEGUARDS STAFF
- ARE AT LEAST AT THE LIMIT OF WHAT THE AGENCY CAN ABSORB. UNDER EXPENDITURE OF THE SAFEGUARDS BUDGET IN 1977 WAS DUE PRINCIPALLY TO SLOW START UP OF THE PROGRAM FOR ANALYSIS OF INSPECTION SAMPLES. THIS PROGRAM WAS CUT IN THE 1978 BUDGET, BUT BY 1979 SHOULD BE IN FULL OPERATION, AND THEREFORE FULLY EXPEND BUDGETED FUNDS.

11. THE NON-SUBSTANTIVE PROGRAMS OF THE AGENCY
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(ADMINISTRATION, GENERAL SERVICES, SERVICE ACTIVITIES, AND TRANSFER OF THE AGENCY TO DONAU PARK) ARE ALSO SLOTTED FOR PROGRAM INCREASES. IT IS

ANTICIPATED THAT THERE WILL BE MANY CALLS FOR BUDGET CUTS AND THAT IN THE ABSENCE OF STRONG SUPPORT FOR THE ADMINISTRATION BUDGET THE CUTS WILL BE MADE THERE. THE RESULT OF CUTS IN ADMINISTRATION WILL BE INCREASED DIFFICULTIES IN THE DIVISION OF PERSONNEL AND SERIOUS PROBLEMS IN THE FINANCIAL MANAGEMENT OF THE AGENCY. AGENCY B&F DIRECTOR ABBADESSA HAS NOTED A SERIOUS PROBLEM THE AGENCY WILL FACE NEXT YEAR WILL BE THE ORDERLY RECRUITMENT OF THE ADDITIONAL PERSONNEL REQUESTED IN THE BUDGET, PARTICULARLY SAFEGUARDS INSPECTORS. THUS THE MISSION SEES MUCH BENEFIT IN THE ADDITION OF TWO POSTS IN PERSONNEL WHICH WILL BE IN THE RECRUITMENT AND ALLOWANCES AREA.

12. THE INCREASE IN GENERAL SERVICES IS ENTIRELY ASSOCIATED WITH THE MOVE TO DONAU PARK, AND CANNOT REALISTICALLY BE OPPOSED. THE LARGEST SINGLE ITEM OF INCREASE IS NATURALLY OPERATING COSTS OF THE FACILITY. BASED ON THE FIGURE OF 5.3 MILLION DOLLARS OPERATING COSTS OF DONAU PARK FOR THE YEAR 1980, IT APPEARS LIKELY THAT THE 1979 FIGURE IS LOW AND SHOULD COME TO \$2.8 MILLION INSTEAD OF \$2.27 MILLION AS STATED IN THE PROPOSED BUDGET.

13. OF THE COSTS OF THE TRANSFER TO DONAU PARK ONLY THE ITEM "UNFORESEEN" CAN BE QUESTIONED, BUT ON CLOSE EXAMINATION UNFORESEEN COSTS COME TO ONLY 5 PERCENT OF THE TOTAL ESTIMATE; THEY ALLOW FOR PRICE ESCALATION FROM THE TIME THE BUDGET WAS PREPARED. THE ESTIMATES IN THE BUDGET HAVE BEEN ADJUSTED ONLY FOR EXCHANGE RATE VARIATION AND ARE OTHERWISE THE SAME AS IN THE 1977 BUDGET.
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14. MISSION REQUESTS INSTRUCTIONS TO MAKE A
STATEMENT STRONGLY SUPPORTING THE PROPOSED BUDGET
AND IN PARTICULAR THE INCREASES IN TECHNICAL
ASSISTANCE, SAFEGUARDS, AND ADMINISTRATION IN TIME
FOR OUR USE AT MAY 4 A&B COMMITTEE MEETING. KIRK

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